



VIETNAM DAIRY PRODUCTS JSC

IR NEWSLETTER FOR THE BUSINESS PERFORMANCE IN 6M2023

Ho Chi Minh City, July 28th 2023

INTRODUCE NEW BRAND IDENTITY, THE CONSOLIDATED TOTAL REVENUE AND NET PROFIT IN 2Q2023 POSTED 1.7% AND 6% YOY GROWTH RESPECTIVELY, PROFIT MARGINS HAVE ENTERED UPTREND

Dear Investors,

Vietnam Dairy Products JSC (“Vinamilk” or “the Company”) today announced the 1H2023 financial statements, in which the consolidated total revenue and net profit in 2Q2023 reached VND 15,213 bn and VND 2,229 bn respectively, up 1.7% and 6% YoY. For 1H2023, the consolidated total revenue and net profit were VND 29,167 bn and VND 4,135 bn respectively, completed 46% and 48% of the 2023 guidance.

Key takeaways in 2Q2023:

- **The macro and industry performances** indicated more challenges since both FMCG and dairy growth have slowed down (for details [refer to page 2](#)).
- In this context, the Company has determined to **fresh our brand identity** to increase the brand value with a comprehensive and relevant brand strategy that enables Vinamilk to better engage with existing and future generation of consumers (for details [refer to page 7](#)).
- **The 2Q2023 consolidated total revenue** reached VND 15,213 bn, up 1.7% YoY and reinforced the full-year target of 5.5% growth. Our total market share has shown sign of recovery in recent months (for details [refer to page 3](#)).
- **The 2Q2023 consolidated gross margin** hit 40.5% (+170bps QoQ) – the largest expansion since our margins got squeezed by commodity price inflation. The Company expects gross margin to continue expanding in the following quarters. **The 2Q2023 consolidated net profit** reached VND 2,229 bn, up 6% YoY, driven by the GPM recovery and effective operating cost control (for details [refer to pages 4 & 5](#)).
- As of June 30, 2023, the Company maintained a **resilient capital structure**, with debt ratios were 13% on total assets and 18% on total equity. The consolidated net cash balance was VND 14,300 bn or roughly 28% of total assets (for details [refer to page 5](#)).

Stock Summary

Ticker	VNM
Industry	Consumer
Listing date	19/01/2006
Share price at 27/7/23	75,700
52-week price range (VND)	65,500-85,000
Market cap. (VND bn)	148,387
Outstanding share (mn share)	2,090
Free float (mn share)	682
15-day avg. vol. (share)	5,121,390
Dividend yield	5.1%
Net cash/Total asset	28%

About Vinamilk

Vinamilk is the leading dairy company in Vietnam and currently ranked 36th in the global dairy industry for sales. Our mission is becoming an international brand in foods and an icon of trusted brand for consumers about nutritional and health products. Visit our website to learn more about us <https://www.vinamilk.com.vn/>

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SUMMARY OF 2Q2023 & 1H2023 BUSINESS PERFORMANCE

(VND bn)	2Q2023	2Q2022	6M2023	6M2022
Total sales	15,213	14,959	29,167	28,900
Net sales	15,195	14,930	29,113	28,808
Domestic	12,789	12,471	24,279	24,129
International	2,406	2,459	4,834	4,679
Gross profit	6,150	6,077	11,548	11,701
Domestic	5,280	5,201	9,805	9,980
International	870	875	1,743	1,722
SG&A expenses	3,630	3,693	6,961	6,698
Other profit/(loss) excluding depreciation & interest expense	820	752	1,676	1,460
EBITDA	3,340	3,135	6,263	6,463
Depreciation	516	523	1,045	1,060
Interest expense	96	37	178	63
Profit after tax	2,229	2,102	4,135	4,386
EPS (VND)	935	878	1,731	1,851

MACRO AND CONSUMER TREND IN 2Q2023 AND 1H2023

GDP growth in 1H2023 decelerated due to weakening industrial sector and declining exports amid a the high-interest rate environment.

According to GSO¹, **the 1H2023 GDP** increased by 3.72% YoY, just higher than the 1.74% growth in 1H2020 across the period between 2011 and 2023. The key reason for this slowdown was the weakening industrial sector, with a growth rate of 0.44% – its lowest YoY growth during 2011-2023 – under the pressure of low consumption demand, not only in Vietnam but also in almost export markets since export turnover was down 12.1% YoY. This situation, coupled with difficulties in capital flow amidst a high-interest rate environment (credit growth was only 3.58% YoY versus the annual target of 14-15%), caused the termination of nearly 100,000 businesses in 1H2023, up 20% YoY.

In 5M2023, FMCG and dairy industry posted the YoY growth of 7% and 2% respectively.

These macro trends have impacted the retail sector and consumer sentiment. The GSO estimated the total retail sales of goods and consumer services to reach VND 1,520.2 trillion in 2Q2023, still up 8.7% YoY but already slowed down versus the 13.9% YoY growth in 1Q2023. AC Nielsen estimated **the FMCG sector** to post 7% YoY value growth in 5M2023. However, the growth in 2Q2023 (average of April & May) decelerated to only 2% YoY. On the same page, **the dairy industry** posted the value growth of 2% YoY in 5M2023 but only 1% in 2Q2023.

¹ Báo cáo tình hình kinh tế – xã hội Quý II và 6 tháng đầu năm 2023 – General Statistics Office of Vietnam (gso.gov.vn)

VINAMILK'S BUSINESS PERFORMANCE

1. REVENUE

Total consolidated revenue in 2Q2023 was VND 15,213 billion, up 1.7% YoY and indicates a significant improvement in sales performance versus 1Q2023.

The 2Q2023 total consolidated revenue reached VND 15,213 bn, up 1.7% YoY. Although it is still below the annual guidance of 5.5% growth, this result indicated a significant improvement in sales performance compared to the 0.1% YoY growth in 1Q2023 and reinforced the full-year sales target. By geography, domestic revenue was VND 12,789 bn, while revenue from international markets was VND 2,406 bn, up 2.5% and down 2.2% YoY respectively.

In 1H2023, the total consolidated revenue reached VND 29,162 bn, up almost 1% YoY.

Domestic market:

- **The Parent Company** posted the net domestic revenue of VND 11,414 bn in 2Q2023, up 3.8% YoY. For 1H2023, this figure was VND 21,393 bn, up 0.8% YoY. Vinamilk's total market share in the dairy industry has yielded positive growth in recent months, driven by the strong performance of flagship categories including condensed milk, drinking yogurt, and spoon yogurt. This result is attributed to the optimized distribution channels and the introduction of consumer-tailored packaging. The company expects to sustain this growth momentum in coming quarters.
 - Major distribution channels demonstrated positive YoY growth in 2Q2023. Vinamilk's stores and online channel, in particular, showed remarkable YoY growth of 16%, benefiting from the shift of consumer shopping behavior and Vinamilk's strategic investments in online sales platforms. As of the end of 2Q2023, there are 654 Vinamilk's stores, +8 stores YTD.
 - While enhancing the distribution, Vinamilk also initiated several marketing activation campaigns to raise the marketing efficiency, promote consumer engagement and stimulate consumption at the points of sale. The "Happy Cow – Tasty Milk" event at Hoa Lu Stadium in Ho Chi Minh City in the early of Jul-2023 successfully recreated the Milk Cow Resort at the heart of the city. The event attracted over 4,000 children and parents, with the participation of some famous artists and KOLs, effectively conveying the brand's message to the target customers. Additionally, other marketing campaigns such as "Childhood Museum" for Ong Tho sweetened condensed milk and "Pure Taste from The Nature" for Greenfarm fresh milk have allowed these brands to post double-digit YoY growth in 1H2023.

Positive YoY growth across major distribution channels; Vinamilk's stores and online channel posted the sales growth of 16% YoY.

Implemented several marketing activations to enhance marketing efficiency and consumer engagement.

05 newly launched and relaunched products to complete the portfolio.

MCM's 2Q2023 net revenue was VND 790 billion, down 5.8% YoY due to weak demand in Northern highland areas.

Soft export performance in 2Q2023 was mainly due to unstable demand in traditional markets while new markets has been well established.

Angkor Milk maintained the YoY sales growth of over 10%, while Driftwood's growth has normalized.

2Q2023 GPM raised to 40.5% thanks to the correction of imported raw material price.

- Launched and relaunched 05 products including Susu chocolate malt-based milk and drinking yogurt with jelly, Probi drinking yogurt, Yomilk blueberry mint drinking yogurt, Super Nut 9 kinds – 1L box, ADM low-sugar nutritional milk to complete the product portfolio and satisfy the new nutritional needs of consumers. In total, the Company already launched nearly 10 products in 1H2023.
- **Moc Chau Dairy Breeds JSC (MCM)** posted the 2Q2023 net revenue of VND 790 bn, down 5,8% YoY due to the weak purchasing power in the Northern highland areas. In 1H2023, its total revenue was VND 1,525 bn, slightly up 0.7% YoY and completed 44% of the annual guidance. By the end of 2Q2023, MCM is running 62 stores, up 9 stores YTD.

International markets

The international markets posted the net revenue of VND 2,406 in 2Q2023 (1H2023: VND 4,834 bn). In which:

- **Export's net revenue** posted 2Q2023 net revenue of VND 1,270 bn (1H2023: VND 2,494 bn), down YoY due to unstable demand in traditional markets. For new markets such as Philippines, the Vinamilk-Del Monte JV has been expanding our distribution coverage and brand recognition through product introductions at POS and schools, also offering attractive promotions. The JV is now focusing on digital marketing to approach the young consumers with drinking yogurt, fresh milk and milk tea. Additionally, the company has built up plan to penetrate the Chinese market with sweetened condensed milk. Among 1,000 participants in the 18th China International SME Fair in Guangzhou in June 2023, Vinamilk chose to showcase just our famous Ong Tho sweetened condensed milk.
- **Overseas subsidiaries** posted 2Q2023 net revenue of VND 1,136 bn (1H2023: VND 2,340 bn), up 9% YoY. Angkor Milk maintained the YoY growth of over 10% while Driftwood's growth has normalized. In coming quarters, AngkorMilk is going to intensify marketing activation activities and invest further in its distribution system.

2. GROSS PROFIT AND COST STRUCTURE

The consolidated gross profit margin (GPM) in 2Q2023 climbed to 40.5% (1H2023: 39.7%), marking a significant QoQ improvement of 170 basis points (bps) and was just slightly under the 2Q2022 GPM by 20 bps. This is the largest QoQ expansion since early 2021, when the commodity price inflation started to have some notice impact on the Company's GPM. The recovery was mainly

attributed to the correction of imported material prices and selling price adjustments last year. The company expects the GPM to continue this recovery in following quarters and return to the pre-Covid level in the next 12-18 months, provided that revenue growth flows the plan.

The SG&A expenses in 2Q2023 was VND 3,630 bn (1H2023: VND 6,961 bn), equivalent to 23.9% of net revenue (1Q2023: 23.9%; 2Q2022: 24.7%). The absolute spending remained almost unchanged YoY, even slightly lower while revenue is growing, indicating the high efficiency in our operations and human resource development.

The consolidated financial income in 2Q2023 was VND 384 bn, up by VND 42 bn YoY thanks to higher deposit income (1H2023: VND 804 bn, up by VND 142 bn). The financial expenses in 2Q2023 was VND 96 bn, up by 59 bn YoY (1H2023: VND 178 bn, up by VND 115 bn). The movements in financial income and expenses reflected the fluctuating interest rate environment in 2023 versus previous year. However, the company commits to manage a resilient financial structure in order to minimize any headwind caused by the interest rate change to our bottom line.

The consolidated net profit after tax (consol. NPAT) in 2Q2023 reached VND 2,229 bn, up 6% YoY and growing faster than the top line on the back of the significant improvement in GPM and the effective control over operating costs as well as financial expenses. The net margin in 2Q2023 arrived at 14.7%, up 100 bps QoQ and 60 bps YoY, which is the first YoY expansion since 2Q2021. In 1H2023, NPAT was VND 4,135 bn, still lower YoY due to the soft performance in 1Q2023, and completed 48% of the annual guidance.

- For MCM, NPAT reached VND 93 bn in 2Q2023, up 3.3% YoY. In 1H2023, MCM's NPAT was VND 194 bn, showing a YoY growth rate of 10.7%, and accomplishing 55% of annual plan.

As of June 30, 2023, the capital structure remained resilient with the debt-to-total-assets ratio of 13% and debt-to-equity ratio of 18%. The consolidated net cash balance was VND 14,300 bn or 28% of the total assets. Liquidity ratios for 1H2023 also improved well, with the current ratio and quick ratio were 2.4x and 2.0x respectively (versus 2.0x and 1.7x at end-2022). The T12M CFO/NPAT to the end of Jun-2023, a measure of profit quality, raised to 1.1x.

NPAT in 2Q2023 reached VND 2,229 billion, up 6% YoY thanks to the significant improvement in GPM and effective control of operating and financial expenses.

3. COPORATE DEVELOPMENTS

Rebranding Event – Unveil New Brand Identity

After nearly five decades, Vinamilk, the leading food company, decided to revamp the brand identity to align with the new phase of development. The new rebranding embodies Vinamilk’s personality of being “bold, determined, and authentic” representing the youthful energy and aspirations of the Vietnamese. The upgraded brand identity will be available across Vinamilk’s entire product portfolio and touchpoints from Jul-2023.

Further details can be found [HERE](#).

Announcement of the Net Zero 2050 Roadmap

Vinamilk announced the roadmap to achieve net zero emissions by 2050. The plan is to reduce greenhouse gas emissions by 15% in 2027, achieving 55% reduction and neutralization of emissions by 2035, and ultimately achieving the goal of net zero emissions by 2050. Vinamilk’s dairy factory and farm in Nghe An province have become the first entities to achieve carbon neutrality according to the PAS2060:2014 standard.

Further details can be found [HERE](#).

Villico – New Share Issuance

Based on the resolutions approved by Villico’s AGM, the expected proceeds from the issuance is VND 603 bn. VLC will use this capital to increase its contributions in the JV with Sojitz Corporation from Japan – JVL that is running the beef farming project including slaughtering, processing, and preserving chilled packaged beef. The registration for share purchase is from July 24, 2023, to August 28, 2023.

Further details can be found [HERE](#).

Prestigious Awards granted:

- In the **World Dairy Innovation Awards 2023**², Vinamilk was honored as the “WINNER” in the “Alternative Dairy Products” category for Vinamilk Super Nut, plant-based milk with nine types of nuts.
- Both Ông Thọ sweetened condensed milk and Vinamilk Super Nut received the highest three-star rating for **Superior Taste Award**³, making them the

² <https://www.foodbev.com/news/world-dairy-innovation-awards-2023-winners/>

³ <https://www.taste-institute.com/en/awarded-products/superior-taste-awards?page=7>

first products from Vietnam to achieve such recognition. Additionally, Vinamilk Green Farm Fresh Milk, Vinamilk 100% Organic Fresh Milk, Vfresh Pomegranate Apple Juice, Vfresh Sugar-Free Artichoke Tea, and Ngô Sao Phương Nam sweetened condensed milk were also listed in the “Superior Taste” category for 2023.

- According to **Brand Footprint Report by Kantar Vietnam 2023**⁴ report, Vinamilk maintains its position as the most-purchased FMCG brand in the urban areas of the four major cities, with nearly 90% household purchase rate. For the category of Milk & Dairy Alternatives, Vinamilk also holds its position as the most-purchased brand in both urban areas and rural regions, with a total of 155 million purchases made in Vietnam in 2022.

4. 2023 OUTLOOK

The SBV has implemented 04 interest rate cuts from 50-200 bps⁵ recently, and expected to implement another rate cut in 2H2023. Additionally, the government has intensified public investment, reduced VAT by 2% in certain sectors, and increased the basic salary⁶. These policies are expected to stimulate domestic consumption and economic growth in short-term.

As part of the investor newsletter, you can view more presentation materials on our Investor Relations page [HERE](#) that showcase the business performance results.

You can also register to attend the quarterly regular meeting with the company’s management board to discuss business performance results. Detailed information about the meeting and registration can be found [HERE](#).

⁴ <https://kantar.turtl.co/story/vietnam-brand-footprint-report-2023/>

⁵ <https://www.sbv.gov.vn/>

⁶ <https://xaydungchinhsach.chinhphu.vn/tang-luong-co-so-giam-lai-suat-thue-phi-se-kich-thich-tang-truong-va-nhu-cau-tieu-dung-119230630120332814.htm>